The AGM will be held on 16th May 2006, at 3.00 p.m. Venue: Factory Events Konferenser Mässor, Nacka Strand, Nacka, Sweden

Entitlement to participate
In order to participate and be entitled to vote shareholders must be:
- registered in the shareholders’ register
- have notified the company of their intention to participate

Registration in the shareholders’ register at the Swedish Central Securities Depository (VPC) must have been completed by Tuesday 9th May 2006 at the latest. Shareholders whose shares have been registered through a nominee must register their shares temporarily in their own name by Wednesday 10th May at the latest.

Notification
Notification of participation in the AGM is to be sent to the company at the address Consilium AB, Box 5028, 131 05 NACKA, by 3.00 p.m. on Wednesday 10th May 2006. Notification may also be carried out by telephone: + 46 856305300, fax: +46 856305399 or e-mail to info@consilium.se.

Dividend
No dividend is proposed for the financial year 2005.

Change of address
For shareholders registered as residents in Sweden, no change of address need be submitted to VPC. Other shareholders who have changed address plus all shareholders who have changed name or account number should report these changes as soon as possible to their account holding institution.

Any shareholders who have shares registered under a nominee should report change of name, address and account number to the account manager. A special form for this purpose will be supplied by the relevant bank.

Financial information
Consilium AB’s financial information is published in Swedish and English. Reports can be ordered from Consilium AB, Box 5028, 131 05 Nacka, telephone: + 46 856305300, fax: +46 856305399 or e-mail to info@consilium.se. www.consilium.se. During the 2006 operational year, interim reports will be published in May (3 months), August (6 months) and November (9 months). Preliminary closing of the account (12 months) to be published in February, and Annual Report in April, 2007.

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AGM
The year in brief

– Orders for business area Fire & Gas increased by 34 percent in 2005.
– Major investments in development and marketing concerning S-VDR:s within the Navigation business area.
– Business area Components’ production unit in Varberg with approximately 70 employees has been relocated to Ulricehamn.
– Orders amounted to MSEK 734.4 (622.0), an increase of 18 percent.
– Net turnover amounted to MSEK 658.3 (593.8), an increase of 11 percent.
– Operating profit amounted to MSEK 20.7 (12.5).
– Earnings after financial income and expenses MSEK 6.7 (–1.8).
– Profit/loss after taxes MSEK 0.1 (–6.3).
– Earnings per share before and after conversion amounted to SEK 0.02 (–1.08).
– No dividend proposed.
Growth focus completed — now its time to look to the future

In 2005, Consilium continued to implement change throughout the organisation. Management and employees have all made positive contributions to this process. Consilium’s objective is to offer high levels of quality at competitive prices. Within our niche markets, we will offer the customer the best total price encompassing technology, functionality and quality as expressed in support, delivery reliability and service. Our goal is to develop Consilium into the first choice for the customer. This year orders amounted to MSEK 734.4 (622.0), an increase of 18 percent. Net turnover was MSEK 658.3 (593.8), an increase of 11 percent. Operating profit amounted to MSEK 20.7 (12.3).

We now face a turnaround in Consilium’s profitability. The changes and investments we have made will now begin to show results. Tough, global competition demands a lot of knowledge and competence, as well as attitude, in all parts of the organisation. We must take the necessary measures and make the necessary changes. There is no point in saying we are doing our best. We have to do what is necessary to succeed in achieving our goals. Increased global competition brings new market conditions, and necessitates changes in order to adapt to them, changes that must be regarded as a natural part of all operations.

Investments and development

During the past year, investments and growth efforts have been focussed on our three core areas: Fire & Gas, Navigation and Components. Consilium has concentrated growth to markets and product areas where it is possible for us to achieve world class. Major investments in market organisation, product development and production have been carried out. Consilium invests on a continuous basis in order to develop operations. The continuous nature of this activity is essential in order to develop and improve organisation, processes, products, service and support.

Emphasis on product development will secure our future market position. Investments in product development are currently underway as a priority, determined by the market.

Resources in existing marine market companies are continuously expanding and new companies have been established on important markets. Market companies opened in Norway in 2004, in 2005 in Greece and Italy and in 2006 a market company will be established in Japan. Resources for sales, planning, service and support have been moved closer to the customer. An increasing amount of total marine sales occurs through these local market companies. The overall global responsibility for marketing and technology is, however, concentrated to the product companies.

During the last few years in the Fire & Gas business area, we have taken over two competitors on the marine market. This has further strengthened our market position and added marketing and technical competence. Investment in the development of a new generation of central units and detectors will, by utilising new technology, make it possible to decrease the number of product variations at the same time as the customers are offered the same full functional product range.

Within the Navigation business area major marketing, development, and production investments have been implemented for the future s-vdr market. Italian radar operations have been fully integrated with Swedish navigation operations. Within marine operations (Fire & Gas and Navigation) production capacity has been built up in Bulgaria, Estonia and China.

The Components business area investments have been made in machinery in excess of MSEK 10 in 2003–2004. This has streamlined production and enabled the merging of the production units in Ulricehamn and Varberg in 2005, without any major investments for extension of premises. We have invested in automatic production lines for manufacturing of large series in Sweden. At the same time a production company has been established in Bulgaria, which enables us to offer our customers a budget alternative for manufacture in shorter series, as well as manufacturing of components requiring more manual input. This development is vital in the face of increasingly globalised competition.

Fire & Gas and Navigation

Our ambition is to be a world-leading supplier of fire and gas alarms for marine applications and other niche areas where our specialist knowledge is applicable. Orders increased by 35 percent in the Fire & Gas business area in 2005 and this trend has continued for the first few months of 2006. Net turnover and earnings are expected to increase during 2006.

Our ambition is to be a world-leading supplier of selected navigation products. Sales of speed logs for vessels continue to win market shares. Increased marketing efforts concerning vdr:s are expected to show an effect on net turnover and earnings in 2006, with full impact in 2007. Orders have been strong during the first few months of 2006. Radar operations are the object of a large scale structural transformation which will affect earnings negatively in 2006.

Consilium’s marine operations, i.e. business areas Fire & Gas and Navigation, have developed positively after the now completed focusing process. For the last five year period, an average annual volume growth of 18 percent has been recorded. Net turnover has increased to MSEK 468.6. Operating profits for the marine business areas have increased to MSEK 42.9.

Components

Our ambition is to offer cost efficient world-class production solutions, based on our competence within fine blanking. Concentrating Swedish fine blanking operations to Ulricehamn streamlined production and reduced costs considerably. Increased concentration to fine blanking in large series has caused a phasing out of a great number of short series products in the last few years, and consequently decreased volume. Investments, streamlining, merging the Swedish production
“Consilium has concentrated growth to market and product areas where it is possible for us to achieve world class”

Ove Hansson
President & CEO

units, increased concentration and establishment of production in low cost countries have created a new basis for operations.

Organisation and personnel
Consilium is a niche company enjoying world class competence within its areas of operations. Personnel are the most important resource in a technical, knowledge-based company such as Consilium. Our combined competence forms the basic precondition for our continued development. This is the competence we will use to continue to develop Consilium.

There is a strong company culture and competence within our core operations that we will continue to develop. Consilium will offer opportunities for employees to gain experience from working in our overseas units. Consilium carries out regular management training as well as specialist courses for key personnel. Consilium’s ambition is to support the personal goals and career development of the individuals who support Consilium’s objectives. Motivated, qualified and focussed employees who are willing to take individual responsibility are vital to the positive development of Consilium.

The future
Consilium expects to continue to capture market shares and to increase business volume during the next few years. The objective of the marine operations, Fire & Gas and Navigation, is to implement the investments necessary for continued high levels of growth. The extensive restructuring of Components has, to a great degree, been aimed at its cost structure. Now it is time to move onto market focus in order to increase business volume. In 2006 this will be carried out both in Sweden and in the rest of the world with the aim of successively increasing our export trade.

March 2006
Ove Hansson, President & CEO
Business concept, goals and strategies

Consilium is a technical knowledge-based company, focused on development of operations in well-defined market and product areas where Consilium has identified the potential to become a market leader.

Overall goal
The overall goal is to create value for shareholders by applying Consilium’s expertise in defined niche areas and by applying a clear business strategy.

Financial goals
– Maintain high levels of growth
– Optimise cost structure
– Increase exports

Business strategy
Consilium’s business strategy is to:
– focus its growth initiatives on markets and product areas in which the Group already is, or has the potential to be, world-class
– clearly define Consilium’s place in the value chain
– strive for growth, both organisational and through acquisitions and alliances
– actively participate in ongoing structural changes in the market
– constantly strive to streamline processes and increase productivity
– be at the forefront of technical development in our core areas
– be an innovative, competitive supplier, providing a high level of service
– offer customers the best total cost, which includes technology, functionality, quality, support, delivery reliability and service
– be an attractive employer with interesting tasks and opportunities for personal development
– continuously improve expertise in our core areas.
Today Consilium is a global operator with its own established development, production, sales, service and maintenance operations all around the world. Locating our own personnel close to the biggest harbours, near the larger shipyards and in important merchant fleet countries is becoming a necessity in order to offer customers attractive total solutions. Consequently Consilium has established companies on most of the important markets. Within marine operations, most sales revenues will come from abroad and more than half the company’s current personnel are now employed outside Sweden.

Consilium identifies companies with the competence and marketing expertise necessary to become agents for Consilium’s products and complements in-house marketing efforts through partnerships with local or regional companies with strong local positions.

Through the years Consilium has built up a portfolio of internationally recognised trademarks, combined with high quality customer support and active marketing. It is vital to Consilium that the company maintains a presence in the regions where customers have located the greatest part of their operations. Consequently Consilium is represented through subsidiaries and joint ventures in Greece, Holland, Italy, China, Norway, Singapore, UK, South Korea, Germany and USA – plus through selected agents in regions such as Australia, the Middle East and South America.

**Optimised cost structure**

Consilium is increasingly striving for an optimised production cost structure and is currently locating more production in low cost countries. In certain cases, this also means that production is moved closer to customers, especially within the marine markets which are concentrated to Asia. This strategy is the first stage of moving more labour intensive and simpler manufacturing processes.

Production processes differ somewhat between the various companies, however, the purchasing function has been strengthened throughout by focussing on goal-oriented outsourcing. This has also created a greater focus on key areas where in-house expertise is strong and will remain within the Group. Consilium has primarily selected sub-contractors in Bulgaria, China and Estonia, as it is assessed that these countries will remain within the low cost group for some time into the future. Within its core areas Consilium has chosen to concentrate overall development responsibility to the Swedish product companies, at the same time as certain development resources have been moved abroad. In addition, development projects are run within various international partnership and cooperation arrangements.

**Efficient logistics**

As part of its focus on core operations, Consilium has placed great emphasis on improving preconditions for increased productivity and profitability in order to be able to meet changes in market prices while retaining margins. This plan has included an overall programme for production and logistics. Production and logistics are, like product development and marketing, high priority areas for Consilium. Several cost rationalisation projects have been implemented within the Group, and Consilium has focussed on factors such as the total purchasing process, quality assurance of suppliers, production efficiency and geographical production placement. Efficient and effective logistics provides, in addition to cost savings, improved service to customer through higher levels of reliability, fewer complaints and returns and shorter delivery times.
Consilium is a technical, knowledge-based company that aspires to be an innovative and competitive supplier, providing a high level of service in well-defined market and product areas. Consilium focuses its growth initiatives on markets and product areas in which the Group already is, or has the potential to be, world leading. These areas form the Group’s core operations. Continued product development and international growth in these areas will further enhance Consilium’s market position and create value for its shareholders.

The Group’s three core areas are:
- Fire & Gas
- Navigation
- Components

Consilium Fire & Gas AB, Sweden
Consilium Marine AB, Sweden
Consilium Security Systems AB, Sweden
Consilium Servoteknikk AS, Norway
Consilium Nittan R&D AB, Sweden

Orders 734.4 622.0 592.4 627.2 678.4
Net turnover 658.3 593.8 631.0 650.4 635.8
Operating profit/loss 20.7 12.5 11.2 7.3 7.5
Number of employees 400 401 391 441 460

Orders 712.8 612.1 552.2 547.6 535.1
Net turnover 648.4 582.4 587.0 555.6 483.6
Operating profit/loss 30.5 20.7 32.2 22.8 6.5
Number of employees 392 392 378 368 380

Fire & Gas

The Fire & Gas business area develops and markets fire alarm and gas detection systems. Customers comprise, in the market for marine systems, mainly shipyards, shipping lines, systems suppliers, military authorities and marine management companies worldwide. Corresponding systems are marketed for the onshore market, in particular for Scandinavian customers who require large systems. These include customers in industry, hospitals, large office complexes and public buildings. In addition, products adapted for application in trains, buses and trucks are marketed. Gas detection system customers mainly comprise companies in the petrochemical, pharmaceutical and aviation industries.

Consilium Fire & Gas AB, Sweden
Consilium Marine AB, Sweden
Consilium Security Systems AB, Sweden
Consilium Servoteknikk AS, Norway
Consilium Nittan R&D AB, Sweden

Orders 401.9 300.7 252.0 227.4 215.9
Net turnover 334.1 268.0 268.4 146.0 209.0
Operating profit/loss 37.6 25.4 31.7 14.1 5.0
Number of employees 140 138 115 115 121

Navigation

The Navigation business area develops and markets speed logs, echo sounders, marine voyage data recorders (VDR/S-VDR) and radar equipment. Customers include shipyards, shipping lines, systems suppliers, marine management companies, port authorities and military authorities worldwide.

Consilium Navigation AB, Sweden
Consilium Selesmar Srl, Italy
Consilium Highlander Co Ltd, China

Orders 129.4 120.1 137.2 148.2 146.0
Net turnover 134.5 126.8 152.3 134.3 90.0
Operating profit/loss 5.3 4.5 11.0 13.6 9.2
Number of employees 94 78 81 43 39

All amounts in MSEK unless otherwise stated.
The Components business area manufactures precision components for the engineering industry using fine blanking technology. Customers are mainly international vehicle manufacturers and subcontractors to the automotive industry.

Consilium Components AB, Sweden
Consilium Components EAD, Bulgaria

In addition to operations in the three core areas, tank level gauging products and systems are also developed and marketed in the joint-venture company JOWA Consilium US Inc. In the marine market, these solutions are used for measurement of levels in fuel and oil tanks, cargo tanks, ballast tanks and freshwater tanks on all different types of vessel, as well as on oil rigs and in dry docks. Customers in the market for industrial applications mainly consist of refineries, chemical industries, heating plants and municipal water and sewage works.

JOWA Consilium Inc., USA

Consilium has established separate market companies and sales offices in important countries for shipbuilding, shipping lines and port facilities for maritime transport and the cruise industry. Consilium also has sales and service representatives in a large number of countries in which the Group itself is not represented.
Fire & Gas

In the Fire & Gas business area Consilium develops and markets systems for fire and gas detection, primarily for international shipbuilding yards and shipping companies. Consilium has positioned itself as a security company who, possessing high levels of technical competence and located close the customer through local representation, offers security solutions for various areas of application with an optimised total economy.

Consilium’s primary operations are located in Gothenburg in the form of the production company Consilium Marine AB, focusing on the shipping market, Consilium Fire & Gas AB, working with the transport market, and Consilium Security Systems AB that concentrates on onshore markets. This business area has a total of 140 employees. Net turnover for the year amounted to MSEK 334.1 (268.0), operating profit to MSEK 37.6 (25.4).

Important events in 2005

In 2005 Consilium experienced its fullest order books in the history of the company. Global shipbuilding reached a peak as old tonnage was being replaced at the same time as global freight increased. In addition, there is currently extremely high demand within certain special fields such as gas tankers, a sector where Consilium has enjoyed great success.

This year Consilium Fire & Gas, jointly with Consilium Navigation, established sales companies in Piraeus, Greece and Genoa, Italy. Both these establishments are in line with Consilium’s philosophy of offering its products and services locally on selected markets.

Due to special efforts made within the transport sector, Consilium Fire & Gas has established a new business area for development and marketing of products adapted for application in trains, trucks and buses. Consequently Consilium was able to broaden its range of products and markets and prove that the company’s application expertise in difficult environments can also create new business.

Consilium has also spent considerable time during the year on a project concerning the revitalisation of its product range. The aim of the project was to create a limited number of platforms with add-on modules that can be adapted for various types of applications. This will also result in Consilium opening up towards new segments where the company was previously perceived as too expensive or too technically advanced.

Consilium’s offer

Consilium is one of the leading security systems suppliers in the world with the primary task of protecting people and assets. Within the Fire & Gas area the company offers module-based, tailor-made products with high levels of reliability. Good availability, service and reliability of delivery is guaranteed through operations close to the customer as well as strategically placed warehouses. In addition, Consilium looks to establish alliances and partnerships on a regular basis with the aim of offering optimised total solutions.

Consilium is a world leader in fire alarm systems within its niche markets and its product portfolio has been expanded through acquisitions and the company’s in-house innovation to include two product families, conventional systems that detect fire within a certain area or space, and addressable systems that indicate exactly where a fire is occurring. Analogue, fully addressable fire alarm systems have been designed to satisfy all applicable international marine regulations and standards. The advanced systems are able to control fire doors, smoke dampers, sprinkler systems, telephone and pager functions and ventilation/fan systems and can be connected to external systems such as marine voyage data recorders (VDRs). Salwico cs4000 is Consilium’s latest addressable fire alarm system and has been optimised for all types of configuration, installation, commissioning and continuous operation. The system, with its user-friendly operator interface, increases security and minimises total cost. The unique “Hot Stand By” function increases availability in that integrated central units constantly update each other and can take over if one unit fails.

Consilium is now launching a new, conventional fire alarm system, the c.400, which is based on the same technology platform as the cs4000. The c.400 is a cost-efficient alternative to the cs4000 for smaller scale installations or systems and offers, as do all Consilium’s solutions, full backwards compatibility with previous systems and products.

Consilium also supplies addressable fire alarm system for train applications, the ts1000. This system is able to monitor compartments, cable installations and engine rooms. Ts1000 can control fire-fighting systems automatically and is equipped with functions that can affect the train’s propulsion. Consilium also offers a smoke detector suitable for fire protection in other vehicles such as trucks and buses.

Consilium’s gas detection systems emit warnings concerning explosive and toxic gases, and their advanced control functions enable them to give signals to other systems to warn of and prevent any dangerous leakage. Consilium currently markets three systems: Salwico kvc41, Salwico sw2020 and Salwico gs 3000. Salwico kvc41 emits warnings concerning explosive and toxic gases and can be expanded to the number of measurement points the customer needs. The fully automatic Salwico sw2020 takes random tests at a number of reading points to detect the presence of gas according to a programmable sequence. The Salwico gs 3000 is an analogue, addressable gas detection system based on the same technology platform as the Salwico cs 3000 fire alarm system. All Consilium’s systems can be integrated into a total safety solution for customers with very high levels of safety requirements. Consilium is the only supplier able to offer integrated total solutions for onboard fire alarm and gas detection.

Market

The shipbuilding market is currently in an extremely expansive phase. The annual rate for newly constructed merchant ships of more than 300 gross tonnage usually lies around 2,000 units. The total market for Consilium, inclusive after sales, has a value of more than MSEK 700. Of this approximately ¾ is for
fire alarms and ¼ for gas detection systems. In addition there are also military vessels, coastguard vessels, fishing vessels and diverse special vessels. Consilium’s market share for fire alarms is approximately 40 percent, and a little more than 30 percent for gas detectors.

Consilium’s solutions for transport vehicles are primarily aimed at markets in Europe, a market that has been climbing steeply for many years. Around 300,000 larger scale trucks and buses are currently built in Europe every year. Europe is also the single greatest market for train manufacturers with an annual ceiling of approximately 180,000 locomotives and rolling stock.

Wind and thermal power stations are also a potentially very interesting market in pace with the search for alternative sources of energy. Consilium has only recently established itself within this segment; consequently it is too early to quantify a market share. Consilium does, however, anticipate a good growth rate as this market increasingly heats up.

The market for onshore fire alarm systems is extensive. Consilium’s recent measures within product range concentration will open up new segments of this market. The company has traditionally supplied the onshore market in Sweden and its estimated market share is around 10 percent. Potential for growth is considerable.

Customers
Consilium’s end customers are shipping lines and shipyards and mainly consist of the shipbuilding industry in Asia and international shipping companies. Shipyards include Dalian in China, Korean Hyundai Heavy Industries, Daewoo Shipbuilding, Samsung (HT), plus STX Shipbuilding as well as Italian Fincantieri. The Danish sprinkler company Novenco is a major customer and is to be considered an OEM customer. Shipping companies important to Consilium include Canadian Teekay, the Norwegian/Swedish Wallenius/Wilhelmsen plus the US Group Carnival Corp. which includes Costa Cruises in Italy.

Customers within the transport market primarily consist of manufacturers of trains, trucks and buses. Customers include Bravida (trains), Bombardier (trains), Daimler Chrysler (trucks), Scania (trucks) and Volvo (buses).

Customers for onshore fire alarms generally consist of end users who have specified the system themselves. Consilium seldom supplies standard system for general new construction. This results in a greater number of customers ordering a limited number of systems. These include Swedish Radio, Locum, Astra and Swedish Posten. Gas detection customers primarily consist of companies operating within the petrochemical, pharmaceutical and aviation industries.

Customers’ views on Consilium products and its role as a supplier are central to the company’s success. Consequently Consilium regularly carries out Customer Satisfaction Surveys. The results of these surveys show that technical support and high levels of service are the most important demands that customers place on Consilium as a supplier, plus that delivery precision and high quality products are as important as competitive prices.

Competitors
Consilium is one of three large-scale, global suppliers of marine fire alarm systems. These companies monitor all the big shipbuilding yards through local staff or via their agents. However, recently a number of changes in the ownership of competitors have occurred. This has resulted in tougher price competition, at the same time as price is only one of many factors that determine the purchaser’s choice of supplier. In addition to Consilium, Autronica and Thorn are prominent on this market. On the gas market Consilium is the only really global supplier, consequently the company meets different competitors in Asia as compared to Europe. As a complement
to the shipyards, on this market it is also important to maintain good relationships with the major shipping lines. Within this segment customer relations are decisive for receiving orders. Asian competitors include Rikken and Komyho and in Europe Omicron/Moss, TQ and Martek.

Within the automotive segment Consilium has no competitors offering the same, strong range of products. Certain competition does, however, occur in that manufacturers install their own solutions.

Development
Consilium always strives to further develop its products in close cooperation with its customers. Development activities are also based on international regulations and innovations plus current and future technology. Consilium’s jointly owned development company Consilium Nittan R&D combines expertise on technology with knowledge on the market obtained from Consilium’s market companies. As an international player it is also vital that development activities have a global focus and that participation in international cooperation is high on the agenda.

In 2005, Consilium focussed major parts of its development activities on refreshing its range of products. The aim is to, in the long run, create an optimised basic platform for all products within the fire alarm and gas detection fields, with adaptable add-on modules for each specific application area and system. A module based product range would also mean that Consilium will be able to offer products and solutions in market sub-segments where the company’s products were previously considered too expensive or too technically advanced. The product range project also includes a concentration of the number of loop and section units. Development of the next generation of detectors is based on product range renewal and is aimed at the construction of intelligent, micro-processor based detectors. For this purpose Consilium has entered into contracts with several partners, some being previous suppliers.

Consilium also participates in a number of development projects together with the Swedish National Testing and Research Institute (sN). Projects include lASS, which is aimed at understanding what happens in fires on vessels constructed of lightweight materials plus VIBS, a project aimed at the creation of calculation models for fire spread in different vessel constructions. Consilium and sN also cooperate in a project that is concentrated on optimising extinguisher systems and fire detection in the engine spaces of trucks and buses.

Investments
The year’s investments amounted to MSEK 17.0. Investments primarily consisted of product development.

Personnel
Consilium’s organisation is designed to enable a high level of service, considerable flexibility and adaptation to customer needs and requirements. Continuous improvement is the watchword. Employees’ knowledge, skills and attitude is decisive for the continued success of the company. Employees’ personal development and managers’ leadership ability has high priority. Consilium continuously surveys competence and training needs within the organisation using a competence matrix for all employees. Each employee participates in at least one planning and performance assessment dialogue annually when an individual training plan is designed.

Consilium operates on an international, highly competitive market. Proximity to universities provides a good recruitment base for qualified staff. Not only must employees have a good educational background, it is also important that they have specific sector experience within the company’s niche areas. This requires a thorough initial selection process when recruiting, and also continuous training and competence development.

Each workplace is subject to a working environment review annually in order to check ergonomics and other working conditions. Consilium offers health check-ups at the occupational health care provider every three years plus occupational health care for all employees. Key personnel are also offered private health care facilities. Each employee is provided with a sports grant in order to promote general health. During the year an employee satisfaction survey has been carried out concerning strategy and organisation, management, marketing and customers, changes, the future and it. Continuous follow up will be carried out.

Employees in figures
There were 140 (138) employees in the company on 31st December 2005. Staff turnover during the year amounted to 3.8 percent. Of total employees, 22 percent were women and 78 percent men. Costs for competence development activities amounted to SEK 12,100 per employee. Sick leave during the year was registered at 2.9 percent. Health risks in operations are minor; no incidents were reported in 2005.

Environment
For some time Consilium has been working with ensuring that operations, both products and the manufacturing processes, fulfil international environmental requirements and legislation. The work of ISO 14000 certification of operations is planned for completion in 2006. In 2005 an environmental policy was implemented as part of these efforts.

The increased environmental awareness of customers has forced the introduction of documented environmental activities which are increasingly a precondition for new orders. Consilium has, in its general production development, also placed great emphasis on environmental adaptation including extensive selection of materials and production processes. Consilium currently ensures that waste products are properly processed and that operations follow a number of international environmental regulations.
Consilium improves security on board trains

Rescue efforts for train fires are often complicated. The most difficult scenario is a fire in a tunnel. Tunnels are usually below ground level, which means problems concerning evacuation of passengers and for rescue personnel to reach the train. In addition, ventilation causes extra problems as there is a risk that the tunnel fills with smoke. Consequently, good fire precautions are essential security factors.

Danske Stadsbanorna
Danske Stadsbanorna (DSB), owned by the Danish state, is currently responsible for 80 percent of all passenger traffic in Denmark. Every year 160 million passengers use their trains to travel all over Denmark and, after the opening of the Oresund Bridge, also to Sweden. After a number of tunnel fires at the end of the 1990s around the world, DSB took a decision to improve fire precautions on board their trains. At the beginning of 2000 Consilium was contacted by DSB’s Danish partner Bravida, who had successfully used Consilium’s products within the marine field. They wished to know if Consilium could supply a smoke detection system for DSB’s trains in tunnel traffic under the sea.

“Bravida Denmark has worked with Consilium’s system for fire alarms and smoke detection for many years, so it was quite natural for us to cooperate when DSB needed a smoke detection system for their diesel trains,” comments Gorm Hansen, Project Director at Bravida Denmark. Consilium offers advanced products, which in combination with Bravida’s experience of smoke development on board trains, resulted in an extremely successful cooperation.

After extensive studies of specific conditions applying to fire precautions on trains, and DSB’s special requirements, a specification was developed including both hardware and software. In addition to high standards concerning the system’s ability to detect smoke while managing the disturbances characteristic of that particular environment, it was also necessary that the system be easy to handle and constructed in module form to facilitate service and maintenance.

Difficult conditions
In 2002, two systems were installed for full-scale field testing. The following year saw further, extensive tests of the systems as Consilium and Bravida refined the solution to face the demanding challenges posed by train installation. The tests were successful and, in the autumn of 2003, Consilium received an order to supply its smoke detection system TS 1000 for 100 diesel trains over a period of 2–3 years.

Fire precautions on trains are complicated as electrical fields, vibrations, great temperature variations and the amount of dirt in the atmosphere disturbs the system and creates condensation in the electronics. As a result, frequent false alarms lead to what happened in many cases previously – that the system was simply shut down. In order to develop a smoke detection system without such weaknesses, solutions similar to those that Consilium supplies to submarines and other extreme marine environments were used.

“Cooperation with Consilium went very smoothly. They possess extensive experience within the area and as soon as there were any problems, they identified the perfect solution. We chose Consilium because they could deliver a system that would continue to work in spite of all the disturbing elements present in a train environment. This proved to be a wise decision,” states Harry Schweer, Development Engineer at Bravida Denmark.

Consilium’s solution
The system consists of a central unit with detectors installed in the train’s compartments, toilets and store rooms which is able to immediately detect and sound the alarm if smoke development occurs. At an early stage it was determined that the system would be addressable, i.e. that each individual detector would be able to communicate with the central unit. In that each detector can be calibrated for its own, unique location, the amount of false alarms can be limited and the system becomes less sensitive to problems. An alarm automatically lights up, on a separate control panel by the driver, and the train staff can see exactly where the alarm was triggered.

The smoke detection system is also installed under the carriages by the engines. If the alarm triggers, information is immediately transferred to the driver at the same time as the train is stopped. If the train is in a tunnel, the system senses this and allows it to continue until it is out of the tunnel so that the driver can carry out controlled emergency braking there instead.

“DSB has taken a decision to replace its existing engines with more environmentally friendly models so this means we will have to upgrade our system too. Normally it can be difficult to make changes to the hardware and software once the system is in operation. Consilium, however, is able to make such changes extremely rapidly. This is very valuable to us and further proof that we have chosen the right partner,” concludes Harry Schweer.

China – new gigantic market
In 2005, Consilium received an order from the Chinese Railways for fire alarms to be installed in a first series of 20 trains. This order came from one of the world’s leading train manufacturers and is Consilium’s first ever order direct from a manufacturer. Several potential customers have later become aware of Consilium’s range of fire alarms and smoke detection for trains. Consilium’s future product range, based on experience from demanding marine environments, creates exciting opportunities for new solutions within several new market segments.
Navigation

Within the Navigation business area Consilium develops and markets marine voyage data recorders, speed logs and radar equipment. Customers are primarily shipyards, shipping lines and systems suppliers complemented by marine management companies and port authorities on the radar side. Consilium positions itself as a company with a high degree of technical innovation, long marine experience and proximity to the customer through its presence on the most important markets.

Consilium’s primary operations are located in Stockholm at its production company Consilium Navigation AB. Development and manufacture of radar products is located in Florence, Italy at Consilium Selesmar. Manufacturing and assembly is also found in Sofia, Bulgaria and Chiang Ping and Shanghai, China. The company has a joint work force of 94. Net turnover amounted last year to MSEK 134.5 (126.8). Operating profit was MSEK 5.3 (4.6).

Important events in 2005

During the year Consilium increased its local presence in a further two markets in accordance with the company’s strategy of offering its products and services at the market where the customer operates. Together with Consilium Fire & Gas, a new sales company was established in Piraeus, Greece and further establishment was initiated in Genoa, Italy. An increasing amount of sales are now made via Consilium’s marine sales companies and it appears that their role is becoming increasingly important.

Consilium increased its activities as concerns the product area marine voyage data recorders including dedicated resources for planning and production. New legislation will bring a substantially increased demand over the next few years. Consilium has also experienced an increase in demand for speed logs, an area where the company can offer the world’s first combined log and echo sounder, the sal t3. The structural changes made by the company have been most clearly observable within radar operations where extensive reorganisation has been carried out. Operations in Florence have been refined during the year to primarily encompass development and production, while global sales responsibility has been moved to operations in Stockholm. Certain production has also been relocated to Sofia, Bulgaria.

Consilium’s range

Consilium is one of the world’s primary suppliers of certain navigation products. Through its module based product programme the company offers speed logs for all needs within the merchant marine, and voyage data recorders for all vessels that are required to install this type of product.

Consilium’s speed logs are used to measure the speed of a vessel and the distance covered. Today Consilium is the world’s leader supplier of logs that work on the basis of technical acoustic correlation, which means that echoes from signals transmitted in pulses are compared with particles in the water for water-track speed (relative speed) and the sea bottom for bottom-track speed (true speed).

Consilium’s sal t3 speed log is the world’s first approved combination log to measure both speed and depth, thereby fulfilling requirements for both logs and echo sounders. The echo sounder function is obtained by measuring the same acoustic pulses as used in speed determination. This follows the trend of increased integration of sensors and means that the system only requires one sensor. This is a big advantage to shipyards and shipping lines both in terms of installation and maintenance as only one, dual function sensor needs to be installed in the bottom of the vessel.

Consilium also offers the sal t2 speed log that measures both the vessel’s relative and true speed. This log was developed with new digital signal processing technology which meets the requirements for speed measurement in very shallow water. It is also approved as a docking log, i.e. for use when docking at a port.

Consilium offers a flexible solution on the marine voyage data recorder (vdr) product area. A vdr – the equivalent of an aircraft’s black box – is an advanced computer able to record and document information that can be registered on the bridge of a vessel, such as position, speed, course, depth, rudder orders and response radio traffic, radar information etc. The product range covers full vdr m3 as well as a simpler variation adapted to retrofit, s-vdr (Simplified vdr).

Consilium’s vdr m3 is a full voyage data recorder compatible with all known bridge systems and sensors currently on the market. The m3 can be used for both installation into new vessels and for upgrading of older vessels – retrofits. This type approved vdr stores information in a special capsule which can be reclaimed in the event of any incident in which the vessel has been involved, or which has happened in its vicinity. This information can then be transferred to a special replay programme so that a government agency, accident investigation or shipping company can analyse what happened.

The Consilium vdr m4 is the company’s latest marine voyage data recorder and is offered in two versions; either as a full vdr or as an s-vdr thanks to its new, modular construction. M4 has been developed to meet the coming increased demand for marine vdr m3 as a consequence of the new imo (International Maritime Organization) regulations. These require that all merchant vessels, new and old, that traffic international waters must be equipped with the minimum of a simplified vdr.

Consilium offers radar equipment for all types of larger scale vessels, plus systems for monitoring harbours and heavily trafficked waters. Consilium Selesmar Selux is fifth generation arpa radar (Automatic Radar Plotting Aid). The radar has special, separate approvals for its three main components: radar computer, keyboard and display. Selesmar Selux is a further development of Consilium’s previous products within the field and has been noted for its excellent user interface. The radar has, during the year, also been approved for high speed crafts.
Market
Consilium’s market can be divided between merchant vessels and cruise ships/passenger ferries. Generally speaking builders and owners of ships to transport passengers invest more in safety than those whose ships are carrying goods. The demand for qualified navigation equipment is increasing as construction of new ships is currently in an upward trend. Consilium has chosen to concentrate on a selection of navigation products. As product supplier, sales made by in-house sales force need to be complemented by sales to and through systems suppliers. This has also been a successful strategy for Consilium.

In the speed log market, which primarily consists of new vessels, Consilium’s market share is around 25 percent in a currently somewhat expanding but price pressed market. The market for marine voyage data recorders will grow dramatically for a period due to new regulations. Consilium’s goal is to gain a 20 percent market share for S-vDR. Consilium is increasingly aiming at retrofit of radar, plus to systems suppliers for VTS, in its radar product sales.

Customers
Consilium’s customers consist of shipping lines and shipyards that build merchant ships according to international SOLAS regulations (Safety of Life At Sea), plus suppliers of entire navigation systems — so called systems suppliers. The major shipyards are mostly located in Asia. Both shipyards and shipping lines normally purchase entire navigation systems, which emphasises the importance of maintaining good relationships with larger scale systems suppliers.

Approximately ⅓ of Consilium’s sales are currently made to systems suppliers, of which the American Sperry Marine, Russian Transas and British Kelvin Hughes plus Raytheon Marine should be mentioned. Almost ⅔ goes to shipyards and the remaining ⅓ to shipping lines. The most important shipyards are Hyundai Heavy Industries, Daewoo and Samsung Heavy Industries in Korea, while the larger shipping lines include companies such as Danish A.P. Møller-Maersk, British BP, Russian FESCO and Swedish Wallenius.

Customers within the naval market are primarily in Germany, which is the world’s largest naval market after USA. Traditionally the larger shipyards have been the main customers within this segment, over time however, the systems suppliers have gained in importance in this field as well. The most important shipyards include the Howaldtswerke-Deutsche Werft (HDW), Blohm+Voss and Friedrich Lürssen Werft. For several years, Consilium has also established a partnership with the Italian systems supplier San Giorgio Sein to supply the Italian Police force, the Carabinieri.

Competitors
The competition situation for Consilium has changed somewhat with the expanded market for retrofit of marine voyage data recorders. The market is dominated by a small number of global systems suppliers who deliver radar products together with complete navigation packages. Sperry, Raytheon, Norwegian Kongsberg, Japanese Furuno and JRC, German SAM plus Kelvin Hughes are the players on this market. Their common denominator is that they have their own navigational
radar which they complement with integrated navigation systems consisting of their own and others’ products. Consilium’s navigation products may be included in a systems supplier’s complete system, as they may be the first choice of the shipyard or shipping line. Consequently Consilium may, in practice, be both competitor and supplier to the same company.

The majority of global suppliers have developed their own marine voyage data recorders (both vdr and s-vdr) and are consequently competitors to Consilium within this area. There are also a number of independent suppliers in this segment such as Canadian Rutter and German Avecs. In addition to previous competitors, new companies have appeared on the market often offering budget solutions adapted to the minimum requirements applicable to s-vdr’s.

Competitors in the speed log market for smaller vessels are primarily Ben from France, the German Plath plus Furuno and jrc. Competitors for traditional logs to larger vessels are, in addition to the Japanese suppliers named above, Norwegian Skipper. Consilium also meets a certain amount of competition from alternative log solutions based on gps technology. Consilium is, however, in certain cases also sub-contractor to these systems in the form of the simpler log that measure water track speed, the sal r1, something that cannot be done using gps.

Consilium has chosen to limit its marketing of radar products towards new building for a period. Instead the company is aiming its products at, primarily, upgrading of older systems. Through its flexible solutions, Consilium can compete with good levels of cost efficiency.

Development
Consilium’s development activities are guided by in-house innovation, international regulations and customer requirements both as concerns performance and cost efficiency. Over the years the company has created a qualified organisation for its development activities, refined its processes and developed a number of simulators. Normally development occurs in close cooperation with both customers and suppliers.

Development activities in 2005 have been concentrated on the further development of Consilium’s vdr products with special focus on vdr s-vdr. Improved user friendliness has been one objective and new functions include simplified installation and interfaces with laptops instead of stationary screens.

Development of speed logs in 2005 has primarily covered consolidation and quality assurance of existing products, plus software development. A project aimed at a new technical platform is planned for next year.

Radar development has primarily concerned products and solutions adapted to systems suppliers. Modifications in line with new regulations have also been initiated. Participating in international cooperation and development projects is not only important from a research perspective, but also a method of keeping up-to-date with market trends and tendencies. Consilium both participates in and leads several such projects.

Investments
This year’s investments amounted to msek 6.3. Investments mainly consisted of research and development.

Personnel
Consilium is a technical knowledge-based company operating in a global market. Attracting and stimulating personnel is a precondition for long term, profitable development of operations. As the importance of both Swedish marine operations and the shipyard industry are decreasing internationally, competition for the remaining competent Swedish marine personnel has stiffened. Refined recruitment processes, clear leadership and feedback are vital instruments in persuading everyone to pull in the same direction.

Every year the company carries out planning and performance dialogues to review the individual’s training needs and career goals. Consilium plans and implements in-house training programmes in order to secure transfer of knowledge and staff development. Opportunities to work abroad provide knowledge of markets and customers. A good working environment is the basis for good performance. Consilium approaches workplace needs from a working environmental perspective which includes ergonomic reviews. Employees are offered an annual health check-up and a major health status review every three years. In addition, a free gym card is provided for health maintenance activities.

Employees in figures
The number of employees as per 31st December 2005 amounted to 94 (78). Personnel turnover for 2005 was 5.0 percent. Women make up 18 percent of employees and men 82 percent. Costs for competence development activities amounted to sek 1,300 per employee. Sick leave during the year was 2.5 percent. Health risks in operations are minor; no incidents were reported in 2005.

Environmental activities
National legislation and international regulations control Consilium’s environmental activities. Heightened environmental awareness has resulted in increased customer demands, and in many cases documented environmental work is a prerequisite for obtaining new orders. Consilium’s products must be manufactured from selected materials and use environmentally compatible manufacturing processes. Residual and waste products must be processed in an environmentally responsible way.
Consilium helps Star Cruises to optimise fuel consumption

Star Cruises, listed on the Hong Kong Stock Exchange, is the leading cruise line in Asia-Oceania, and the third largest in the world. The company’s operations are based in Port Klang, Malaysia and include 22 cruise vessels under the brands: Star Cruises, Norwegian Cruise Line and Orient Lines. In addition to the Asian region, Star Cruises also sails to destinations in North and South America, Europe, Mediterranean, West Indies and the Antarctic.

Star Cruises has a young fleet using the latest in navigation technology on board and has, over the years, won awards for quality, service and their range of products, especially for their training and security activities. Consilium and Star Cruises have cooperated for more than ten years. The products of this cooperation have also won awards, for example in 2002 when Star Cruises won a prize for its incident reporting system (Nautical Learning Event Report - nler). This system is based on the information registered in the vessel’s voyage data recorder (vdr) delivered by Consilium.

One of the greatest costs for cruising operations is fuel. During the last few years the price of fuel has risen dramatically, for example average bunker prices increased by 41 percent in 2005. Decreased fuel consumption will therefore exert a positive effect on the profitability of the entire operation.

In 2004, Star Cruises installed a system, NAPA Power, on board the MS SuperStar Virgo aimed at optimising and managing fuel consumption. The system supplied by the Finnish company NAPA LTD – well known for its vessel architecture software – offers the opportunity to optimise fuel consumption by using advanced techniques to plan the route, speed profile and engine mode. Thanks to this system, the vessel is able to optimise its speed and machine combination in order to use the propulsion effect more efficiently based on parameters such as current and weather conditions.

After the success of the installation onboard the MS SuperStar Virgo, where the customer was able to quantify savings to a little more than four percent of total consumption, Star Cruises now plans to install the system in several of its vessels. First in line is MS SuperStar Gemini and MS SuperStar Libra. Both have Consilium’s sal log on board.

“It is vital to have good in-data for our system to be able to improve fuel consumption, both as concerns water-track speed and bottom-track speed. The sal logs we have installed on board provide us both with consistent and reliable speed values, which is vital for us,” says Peter Häggblom, Electronics Superintendent of Star Cruises.

Consilium’s speed log sal is the company’s oldest product and one of the dominating trademarks in the marine world. Consilium Navigation currently leads the world within its production of logs using the acoustic correlation technique – a technique which is based on echoes from signals being reflected by particles in the water (for water-track speed) and the sea bottom (for bottom track speed).

“In order to extract maximal fuel effect at optimised cost it is important that we, for example, receive information on current in relationship to the estimated values we feed in when planning a vessel’s route. The log fills just this function and Consilium’s sal logs are perfectly suited to this task,” continues Peter Häggblom.

Consilium’s cooperation with Star Cruises also covers the company’s latest speed log, the sal t3. This log is a combination log that, in addition to speed determination, is also able to measure water depth as an echo sounder function has been added. Consilium is currently the only supplier in the world who can offer this combination in one sensor, something that saves costs as only one sensor installation on the hull of the vessel is necessary.

“We have installed the sal t3 on the MS MegaStar Taurus and MS MegaStar Aries. In addition to the log function we also get in-data on actual depth which we take directly into the radar system. Consilium’s combination log is an interesting technical solution that has opened up new opportunities for us,” concludes Peter Häggblom.
Components

Within the Components business area, Consilium manufactures and assembles fine blanked, complex precision components, primarily for the European automotive industry. Consilium has positioned itself as a qualified supplier of high quality, technical competence who cannot merely solve technically advanced production problems – but can also deliver entire solutions with optimised total economy.

Consilium’s primary operations are located in Ulricehamn and in a newly-developed production plant in Sofia, Bulgaria. This business area employs a total of 156 people, of whom 10 are stationed in Bulgaria. Net turnover was MSEK 179.8 (187.6) last year. Operating loss amounted to MSEK -2.5 (1.2).

Important events in 2005
During the year Consilium implemented extensive restructuring of this business area with emphasis on relocating its previous Varberg operations. This also included the start up of the production plant in Bulgaria. The aim of this restructuring was to strengthen Consilium’s competitive edge through increased efficiency, decreased fixed costs and certain cost optimised production abroad. These activities were also a part of Consilium’s long-term goal of becoming one of Europe’s premier suppliers of fine blanking solutions.

From a production perspective, this restructuring has meant that Consilium has increased its utilisation rate in that total production is now carried out on a smaller number of machines. In addition, Consilium has introduced an extended work shift system plus the location of certain production abroad will create good preconditions for improved cost efficient production.

Consilium’s range of products
Consilium offers fine blanking for products where conventional stamping cannot provide the required quality or gives rise to the need for extensive additional treatment. In situations where a component will be exposed to dynamic pressure or be used as a functional surface, for example a cog wheel, fine blanking is necessary for the part to live up to the high quality level required by the application. The major utilisation area is automotive components which stand for more than ¾ of all fine blanked components in the world. Other common uses are for gardening tools and forestry machines, mechanisms in window and door locks plus for office machines, household appliances and sport/hobby articles. Fine blanking puches right through the thickness of the raw material without breaking, cracking or obtaining any unwanted deformation. Components are manufactured in special presses, which have up to 700 tons press force, with greater precision and higher quality and durability than conventional manufacturing methods – and at a lower total cost. The movement and securing functions in the special presses used for fine blanking also make it possible to design tools so that countersinking, embossing and bending can be performed in the same operation as the actual blanking. This means that the number of operations and tools can be reduced compared with traditional stamping, which has an important bearing on overall production economy.

Consilium runs a well-developed quality management system in order to follow up and develop its operations and to secure product quality. This is also a customer requirement, not least from the automotive industry’s own quality standard QS 9000. Customer surveys are carried out regularly which include measurement of quality level, cost efficiency, technical level plus reliability of delivery.

Market
Consilium’s market consists of large European industries that need fine blanked products, with the automotive industry as the greatest single customer group. The European car industry is generally affected by the state of the world economy and is currently producing around 15 million vehicles per year. A consolidation wave is underway throughout the industry; consequently fewer players become increasingly important. During the year Consilium has strengthened its position as concerns some of the most important vehicle manufacturers, as well as certain central systems suppliers.

European manufacturers of trucks and buses produce almost 300,000 vehicles annually and are currently experiencing an improved economic situation with a growth rate of 10-15 percent. However, mergers are also underway in this sector such as Volvo Trucks’ earlier acquisition of French Renault and American Mack. The total value of the European fine blanking market is estimated at MSEK 20, which means that Consilium’s market share is approximately 0.7 percent. In Sweden, Consilium dominates the market completely.

Customers
From its previous customer base of Swedish industry, Consilium’s present customers mostly consist of European vehicle manufacturers and their sub-contractors. There is a clear customer concentration in Germany with companies such as Getrag Ford Transmission in Cologne with its affiliated companies Getrag Innovations and Getrag Synchron Technik outside Stuttgart, Germany, which is the world leader in fine blanking, has become an increasingly important market for Consilium. There is also Autoliv North Germany with its large scale development centre outside Hamburg who is an important customer as they represent several of Autoliv’s European factories within the seat belt area. Autoliv Sweden in Värgård remains, however, Consilium’s single largest customer. Other international customers include the French Valeo Engine Cooling ab, Japanese Fuji Autotech ab and the Swedish niche supplier Öhlins Racing ab owned by Yamaha. In addition to vehicle manufacturers, Consilium also has forty or so other customers who are in need of fine blanked components, companies such as Husqvarna ab, Fix ab, ITT Flygt ab, Electrolux ab and Abu Garcia.
COMPONENTS

Competitors
The number of companies operating within the fine blanking market has decreased from 150 to around 50 during the last ten-year period. If this trend continues, which it well might, this will mean a reduction to around 30 companies over the next ten-year period. In Sweden Consilium has only one real competitor within fine blanking. Certain larger scale industrial companies are able to supply their own fine blanking needs, within certain limitations. One example is the Assa Abloy Group who blank certain components themselves and purchase some from Consilium. On the European market Consilium meets competitors primarily from Germany. Some of the companies are Egon Grosshaus GmbH, FSG, Koki and Finova. Fine blanking is currently meeting, within certain applications, limited competition from conventional blanking which has been developed to a better standard.

Development
Consilium runs its own department for development, construction and manufacture of blanking tools with specialisation in fine blanking tools. Consilium currently enjoys a very good reputation within tool development for fine blanking and is recognised as being a moving force as far as the development and optimisation of tool performance is concerned. This development is carried out focussed on both metallurgical and tribological characteristics as well as on the various post-production treatment methods for the tools. Consilium also participates in several, larger scale development projects with suppliers, leading universities and colleges.

The tooling department currently consists of almost 30 employees working with the manufacture of new tools for production components plus maintenance of tools used in day-to-day production.

In 2005 the tooling department started up a large scale development project which will mean a successive shift towards drawingless production. Since November, Consilium has moved totally into CAD/CAM (computer controlled design and manufacturing) as well as a PDM system covering...
all data within tool manufacture. The new system means that both design and production can be carried out using computer animated 3D drawings in which the production settings that control manufacture can be entered right at the design stage.

**Investments**

During the year investments amounted to MSEK 2.9. Investments included the establishment of production in Bulgaria and a new CAD/CAM/PDM system.

**Personnel**

Consilium Components is one of Europe’s leading companies within fine blanking and supplies technically advanced products. Employee competence and inputs are decisive for the company’s success. One important part of HR activities is, consequently, to ensure that each individual’s ability and development potential is properly utilised. In order to ensure professional behaviour and commitment from employees, plus a common approach to continuous improvements, the company has invested in quality management throughout the entire company, the correct competence, feedback and a good recruitment process. Each employee participates in at least one development and performance dialogue annually when training needs are identified and discussed.

Fine blanking is a qualified niche activity in which there is only one small company in Sweden apart from Consilium. Nor is there any direct training in fine blanking. This means that all personnel in this area have to be trained in-house in this production technique. Consilium has developed and initiated the application of a competence matrix for all employees within the company in order to be able to survey competence and training needs. The competence matrix is a successful tool that provides an overview of the training needs situation for planning and follow-up purposes.

In order to maintain a good working environment, Consilium runs a Health & Safety Committee which carries out regular Health & Safety inspections. When new equipment is purchased or when considered necessary, risk assessments are carried out at the relevant workplaces. This year Consilium has worked with job rotation in order to limit ergonomic problems. In addition to occupational health care for all personnel, each employee participates in a health status check every three years. The preventative health care budget per employee is set at SEK 950 annually. Consilium has joined a Target 3 Project concerning competence development that includes issues such as its Employee Satisfaction Index. The project will be evaluated in 2006.

**Employees in figures**

On 31st December 2005, there were 145 (173) Consilium Components employees in Sweden and 10 (<10) in Bulgaria. Due to staff cutbacks when operations in Varberg were closed down, it is difficult to report a relevant staff turnover figure for 2005. Women make up 20 percent of employees and men 80 percent. Costs for competence development amounted to SEK 3,500 per employee. Sick leave was 7.2 percent during the year, which was abnormally high due to closing down operations in Varberg when sick leave rates temporarily climbed. Incidents – 18 reported during the year of which 10 were accidents. No serious accidents were reported.

**Environment**

The manufacturing units in the Components business area are subject to permit under the environmental code and have been awarded permits for their production of sheet-metal components from the environmental testing delegation of the relevant county administrative board. For the Ulricehamn plant, the permit applies to production representing annual raw material consumption of maximum 8,000 tons annually. Operations in Varberg, now closed down, possessed permits for a maximum of 5,000 tons. These permits are also linked to a number of special conditions relating to different types of effect on the external environment such as noise, waste and chemical management. In 2005, the inflow of raw materials for production was just over 6,000 tons. Activities subject to permit represent in principle the entire turnover of the business area which is approximately 25 percent of the Group’s total turnover.
Consilium and Öhlins – cooperating to make world class shock absorbers

Öhlins Racing AB is one of the world’s leading suppliers of shock absorbers for racing motorcycles, racing cars and snowmobiles. The company was founded in 1976 by Kenth Öhlin who, based on his own experience from motocross, realised that the shock absorbers on offer left a great deal to be desired. Two year later the company had won its first world championship.

From their initial focus on motocross and enduro motorcycles, operations have developed over the years to include everything from roadracing cycles to Formula 1 cars. Today Öhlins’ shock suspension systems are considered to be an integrated part of serious racing and the company to date has more than 100 world champions among its customers. Riders and drivers such as Valentino Rossi, World Champion in MotoGP for the last four years, Buddy Rice (2004) and Juan Pablo Montoya (2000), two winners of the Indianapolis 500 and the Swede Mattias Ekström, 2004 Champion of the Deutsche Tourenwagen Masters (DTM).

Consilium has cooperated with Öhlins for many years, a relationship which originated in the acquisition by Consilium of Öhlins’ previous supplier Silvas’ fine blanking operations in 2000. Consilium supplies Öhlins with shims (thin, exactly cut, filling washers) made of tempered steel strip using the company’s fine blanking technique. This well-functioning cooperation has developed over the years and Consilium currently runs an independent production unit that processes everything from order registration to final delivery.

“Consilium delivers shims for all our shock absorbers. Consilium is good at fine blanking and has, through the years, shown that it is also good at maintaining production and quality. Consilium is a serious company and we have great confidence in them,” concludes Lars Macklin.
Quality activities

Consilium undertakes extensive quality activities. The aim is to maintain world class within each niche area, and this demands a quality approach to all operations and processes, from management to the individual employee, and from development pre-studies to final delivery. Quality control, measurements and verification currently form a vital part of operations and extensive, structured working methods have been developed over the years.

Consilium’s customers are affected to a considerable degree by international regulations and standards, which places special demands on Consilium’s products and solutions. Markets for business areas Fire & Gas and Navigation are, for example, governed by worldwide legislation through the UN agency, International Maritime Organization (IMO). Other bodies of regulations include the Marine Equipment Directive (MED), plus agencies such as the International Electrotechnical Commission (IEC), International Telecommunication Union (ITU) and Comité Internationale Radio Maritime (CIRM).

All production companies and manufacturing units are ISO 9000 certified. Quality management systems cover processes such as development, production, customer and supplier relationships plus enhanced improvement initiatives and decision support systems. For example, successful quality programmes resulted in reduced costs connected to quality differences, increased stability in production and better delivery precision.

The manufacturing units in the Components business area already possess the automotive industry’s QS 9000 standard, and also large customers’ own special quality requirements, such as the Ford Group’s Q1 certification.

Certification includes the measurement of quality levels, cost efficiency, technical levels, deliveries, complaints and productivity. In addition, a certified company is required to set up an emergency plan including replacement machines if operations cease due to breakdown. Consilium is currently working in processes the equivalent of the automotive business’ new requirements TS 16949. These focus on production but also on additional elements such as processes, purchasing and customer relations. It is vital to obtain a type approval that proves that company products and systems live up to current legislation and regulations. For example Consilium is the first company in the world to obtain such approval for a combined log and echo sounder, Consilium’s echolog SAL T3, and the company also has three separate approvals for the primary components in the new Selux radar – in itself a unique phenomenon.
Consilium strives to have its name connected with quality, innovation, high levels of service and good total economy. The company also has a long tradition of preserving as well as developing its trademarks. Establishing and maintaining international trademarks is central to the creation of competitive advantage in the tough market climate Consilium operates in.

Many of Consilium’s products are currently internationally established under their respective brand names, for example sal logs. As early as 1913 the Svenska Aktiebolaget Logg (sag) delivered its first log to a Swedish merchant marine vessel, the ss Hyperion. The trademark came into Consilium’s ownership in 1985. Today Consilium leads the world within production of navigation logs with over 20,000 logs installed worldwide—all with the internationally recognised trademark sal.

Consilium has established trademarks primarily within the Fire & Gas and Navigation business areas, at the same time as Consilium Components is a strong brand in itself within the automotive industry. The trademarks Consilium works with today are:

- **Salwico**: Fire alarm and gas detection systems
- **Servoteknikk**: Fire alarm systems
- **SAL**: Speed logs/echo sounders
- **Consilium VDR**: Marine voyage data recorders
- **Selesmar**: Radar products and radar systems
- **Metritape**: Tank level gauges

The knowledge of, and attitude to, Consilium and its trademarks is good. As one of the leading companies within selected niches Consilium is often the first choice of supplier, whether this choice is made by a shipyard, shipping line or systems supplier on the marine market or by vehicle manufacturers and their sub-contractors.

In an integrated Europe, local patents gain a greater range, and common legislation will also ensure increased brand protection between the member states. As concerns the rest of the world, Consilium is covered by the Madrid Protocol which is an international agreement on trademark registration. Consilium always examines opportunities to apply for patent protection for key functions in new products and pattern protection for product designs, for applications and markets where it is commercially motivated.

In certain cases patent protection is replaced by type approval as the approval process is so extensive that it is, in itself, full protection against attempts to infringe on trademarks. No individual patent is of decisive importance to the Group’s financial position and earnings, or for those of the group’s subsidiary companies.
Board

Carl Rosenblad
Born 1935.
Board member since 1993.
Chairman of Consilium AB since 2000.
Chairman of Platanen Holding BV.
Chairman of Svenska Bostadsfonden.
Shareholding in Consilium, see p 33.
LL.B. Masters in Business Administration.

Louise Westerberg
Born 1955.
Board member since 2004.
CEO and Board member of Viktor Rydberg Education AB. Board member of Stiftelsen Viktor Rydbergs skola and Stäringe AB.
Shareholding in Consilium: 3,000 B.Sc. in Economics.

Fred Andersson
Born 1946.
Board member since 2000.
Board member of Hennes&Mauritz AB, Viamare Invest AB, Viamare Hotel AB and Indoor Group Oy.
Shareholding in Consilium: 0. B.Sc. in Economics.

Goran Hammarberg
Born 1939.
Board member since 2000.
Consultant, Chairman of Norske Veritas Nordiska Sjösäkerhetskommitté.
Shareholding in Consilium: 0. Master of Science in Engineering.

Kurt Wirland
Born 1943.
Board member since 2001.
Consultant.
Shareholding in Consilium: 0. Technical High School.

Carl Adam Rosenblad
Born 1965.
Board member since 1996.
Director of Consilium AB. Board member of Platanen Holding BV and Varangia Shipping AB.
Shareholding in Consilium: 20,000 Convertibles equivalent to 7,360 shares. Masters in Business Administration.
Group Management

Ove Hansson
Born 1955.
President & CEO.
Shareholding in Consilium: 17,700.
Options the equivalent of 100,000 shares.
Convertibles equivalent to 3,345 shares.

Carl Adam Rosenblad
Born 1965.
Director of Business Development.
Shareholding in Consilium: 20,000.
Convertibles equivalent to 7,360 shares.

Anna Holmgren
Born 1965.
Chief Financial Officer
Shareholding in Consilium: 0.

Jan-Erik Lindström
Born 1962.
Managing Director,
Consilium Fire & Gas.
Shareholding in Consilium: 0.

Leif Bråfelt
Born 1943.
Managing Director,
Consilium Navigation.
Shareholding in Consilium: 2,200.

Anders Andersson
Born 1948.
Managing Director,
Consilium Components.
Shareholding in Consilium: 0.

AUDITORS

Anders Trast Winqvist
Born 1961.
Chief Auditor
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers.
Auditor since 2003.

Bengt Eklof
Born 1948.
Deputy Auditor
Authorised Public Accountant
Öhrlings PricewaterhouseCoopers.
Deputy since 2003.
| Head Office | Consilium AB | Sätra Finsbodavägen 2-4 | Box 5028 | 131 05 Nacka | Telephone: +46-8-563 05 300 | Fax: +46-8-563 05 399 | E-mail: info@consilium.se | Website: http://www.consilium.se |
| Group Companies and Addresses | Consilium Fire & Gas AB | Sätra Finsbodavägen 21 | Box 8763 | 402 76 Göteborg | Telephone: +46-31-710 77 00 | Fax: +46-31-710 78 00 | Telex: 20660 consmar s |
| | Consilium Marine AB | Sätra Finsbodavägen 21 | Box 8763 | 402 76 Göteborg | Telephone: +46-31-710 77 00 | Fax: +46-31-710 78 00 | Telex: 20660 consmar s |
| | Consilium Navigation AB | Västra Finsbodavägen 2-4 | Box 5021 | 131 05 Nacka | Telephone: +46-8-563 05 100 | Fax: +46-8-563 05 199 | Telex: 19054 conma s |
| | Consilium Nitan R&D AB | Sätra Finsbodavägen 21 | Box 8763 | 402 76 Göteborg | Telephone: +46-31-710 77 25 | Fax: +46-31-710 77 40 |
| | Consilium Security Systems AB | Sätra Finsbodavägen 21 | Box 8763 | 402 76 Göteborg | Telephone: +46-31-710 79 00 | Fax: +46-31-710 79 99 |
| | Consilium Components AB | Bronäsgatan 6 | Box 194 | 523 01 Ustückhamn | Telephone: +46-321-530 800 | Fax: +46-321-530 890 |

| Bulgaria | Consilium Components EAD | 8, Irensko Shousse Blvd | 1320 Sofia | Telephone: +359 28 36 20 52 | Fax: +359 28 36 20 52 |

| Greece | Consilium Marine Hellas Ltd | 19, Zoodohou Pigis Street | Piraeus 18538 | Telephone: +30-210428 7097 | Fax: +30-210 428 7165 |

| Netherlands | Consilium Marine Systems BV | Achterwetering 21 | 2871 RK Schoonhoven | Telephone: +31-3182 382 422 | Fax: +31-3182 386 675 |

| Italy | Consilium Selesmar Srl | Via Ramita 26 | 50020 Montagnana Vf | Florence | Telephone: +39-0571 68 121 | Fax: +39-0571 67 0798 | Telex: 573640 sesmar i |
| | Consilium Marine Italy Srl | Via XII Ottobre, 2/52A | 16121 Genova | Telephone: +39 016-86 06301 | Fax: +39 016 86 06290 |

| China | Consilium Shanghai | Rm 108Bk 2 Hangang Business Building | No 27, Lane 258 Caosi Road | Shanghai 200035 | Telephone: +86-21 515 222 90 | Fax: +86-21 515 222 90 |
| | China Sweden Marine Equipment Co. | 600 Min Sheng Road | Shanghai 2000134 | Telephone: +86-21 58 85 66 38 ext. 2421/2593 | Fax: +86-21 58 85 84 22 |


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Own companies, sales offices and sales representatives
Consilium is a technical knowledge-based company in well defined market and product areas. The Company focuses on international growth in three core areas: Fire & Gas, Navigation and Components.